

**MAGIC Fund Screening Committee
Annual Compliance Report
2018**

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Report from the Chair:

MAGIC FUND BALANCE AND FUNDS SPENT

The MAGIC Fund Screening Committee held one meeting in 2018 to address the applications for the Rural Marketing match. There were no other applications through the course of the year.

1. Fourteen (14) applications were submitted for Rural Marketing Match Grants from surrounding communities and all 14 applications were approved based on our guidelines:

Burlington	\$ 4,000
Garrison	4,000
Harvey	3,500
Kenmare	4,000
Crosby	3,000
Hazen	3,500
Pick City	500
Mohall	3,500
Parshall	4,000
Rugby Chamber of Commerce	1,750
Rugby JDA	1,750
Portal	300
Stanley	4,000
Turtle Lake	3,500
Total:	<u>\$41,300</u>

For the year end 2018 overall sales tax collections increase slightly by \$86,018 compared to 2017. Overall revenue for the year end 2018 totaled \$1,665,160, up \$134,000 from the previous year and up over budgeted revenue of \$1,392,709.

The Minot economy has shown some improvement in “pockets” but the weaker commodity markets in our leading sectors of agriculture and oil and gas along with the recent announcements of various retail closings continue to have an impact on the overall health of our economy, real and perceived.

PERFORMANCE of JOB DEVELOPMENT AGREEMENTS

Brady Martz and Associates, Public Accountants and Consultants, have been retained to independently verify the performance criteria required of Fund participants. Two fund recipients were noted in their review, SkySkopes, Inc. the Minot Vocational Adjustment Workshop, Inc.

dba Kalix. The SkySkopes, Inc. review noted no exceptions for 2018 based on the terms of the development agreement. The Minot Vocational Workshop, Inc. dba Kalix did not meet the minimum hour commitment of the development agreement. The review calculated actual hours of 20,335 whereas the development agreement is 30,000 hours. Upon notification, MVAW dba Kalix, per the development agreement, remitted back to the City the pro-rata portion of funds that did not meet the requirements of the development agreement.

SUPPORTING SERVICES CONTRACTS

The Minot Area Development Corporation (MADC) is a non-profit organization engaged by the City of Minot to assist with economic development. Its board of directors consists of volunteers from the local business community, City of Minot representatives, Ward County representatives, Minot State University, Minot Air Force Base, and other public agencies with an interest in economic development.

The MAGIC Fund supported MADC through direct payments of \$365,000 in 2017 and 2018.

DENIED APPLICATIONS

None.

FINANCIAL and MANAGEMENT HEALTH of the FUND

The MAGIC fund is fortunate to have a reasonable amount of cash in the fund for future endeavors. As of December 31, 2017 the ending fund balance was \$9,956,038 and as of December 31, 2018 it was \$10,281,687.

Respectfully Submitted on behalf of the MAGIC Fund Screening Committee,

Jason Zimmerman, Chairman

MAGIC Fund Screening Committee Members as of December 2018

Professional	Employment	Original Appointment	Expiration of Term
Jason Zimmerman	First Western Bank	November 3, 2014	June 30, 2020
Labor			
Pat Bachmeier	SRT	June 30, 2013	June 1, 2019
Julie Drady	Connole Sommerville	October 1, 2015	November 1, 2021
Business			
Jarid Lundein	Tires Plus	March 1, 2019	July 31, 2019
Trade Area			
Byron Gates	Gates Manufacturing	October 6, 2014	October 6, 2020
Finance			
Perry Olson	First International Bank	June 1, 2016	June 1, 2019
Ryan Hertz	Dacotah Bank	June 30, 2015	June 1, 2021

City of Minot, North Dakota
Economic Development Growth Fund
Balance Sheet
December 31, 2018
With Comparative Totals for December 31, 2017
(Preliminary and Unaudited)

	Dec 31, 2018	Dec 31, 2017
ASSETS		
Current Assets		
Cash and Investments	\$ 8,685,161	\$ 8,373,710
Restricted Cash and Investments		
Total Restricted Cash and Investments	-	8,893
Intergovernmental Receivable	136,046	102,875
Current Loans Receivable		
Cypress Development	750,000	750,000
Kalix	75,600	88,200
Allowance for Loans Receivable @ 20%	<u>(365,120)</u>	<u>(367,640)</u>
Total Current Assets	<u>9,281,687</u>	<u>8,956,038</u>
Noncurrent Assets		
Loans Receivable		
Cypress Development	1,000,000	1,000,000
Total Noncurrent Assets	<u>1,000,000</u>	<u>1,000,000</u>
Total Assets	<u><u>\$ 10,281,687</u></u>	<u><u>\$ 9,956,038</u></u>
FUND BALANCE		
Restricted	<u>10,281,687</u>	<u>9,956,038</u>
Total Fund Balance	<u>10,281,687</u>	<u>9,956,038</u>
Total Liabilities and Fund Balance	<u><u>\$ 10,281,687</u></u>	<u><u>\$ 9,956,038</u></u>

Loans Receivable			
Kalix - Minot Vocational Adjustment Workshop			
Renaissance Parking Ramp			
Central Parking Ramp - Forgivable Loan			
Parking Ramps Loan			
SkySkopes - Forgiveable Loan			
SkySkopes - Forgiveable Loan			

	Current Amount		Last Payment
	Due	Date Due	
\$ 12,600	\$ 12,600	06/01/2019	n/a
	375,000	12/16/2025	n/a
	375,000	12/16/2025	n/a
1,000,000	1,000,000	10 year maturity	12/15/2025
	125,033	7/1/2019	
	125,033	7/1/2020	

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
December 31, 2018
With Comparative Totals for December 31, 2017
(Preliminary and Unaudited)

Sales Tax Economic Development					
	Original Budgeted Amounts	Final Budgeted Amounts	Dec 31, 2018 Actual Amounts	Variance with Final Budget	Dec 31, 2017 Actual Amounts
REVENUES					
Sales tax collections	\$ 1,366,866	\$ 1,366,866	\$ 1,588,655	\$ (221,789)	\$ 1,502,637
Interest income	25,843	25,843	71,548	(45,705)	27,774
Miscellaneous	-	-	4,957	(4,957)	-
Total revenues	<u>1,392,709</u>	<u>1,392,709</u>	<u>1,665,160</u>	<u>(272,451)</u>	<u>1,530,411</u>
EXPENDITURES					
Current					
Economic Development	-	8,893	9,847	(9,847)	373,531
Marketing - MADC	365,000	365,000	365,000	-	365,000
Marketing - Area Cities/Souris Basin	60,741	60,741	41,300	19,441	59,959
MAFB Retention	90,000	90,000	1,634	88,366	24,000
General Administration	1,000	1,000	57	943	60
Audit Compliance Contract	3,000	3,000	3,000	-	1,050
Total expenditures	<u>519,741</u>	<u>528,634</u>	<u>420,838</u>	<u>98,903</u>	<u>823,600</u>
Excess (deficiency) of revenues over (under) expenditures	872,968	864,075	1,244,322	(371,354)	706,811
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	568,476
Transfers out	(872,968)	(872,968)	(918,673)	-	(50,000)
Total other financing sources (uses)	<u>(872,968)</u>	<u>(872,968)</u>	<u>(918,673)</u>	<u>-</u>	<u>518,476</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (8,893)</u>	<u>325,649</u>	<u>\$ (371,354)</u>	<u>1,225,287</u>
Fund balance, January 1			9,956,038		8,730,751
Fund balance, December 31			<u>\$ 10,281,687</u>		<u>\$ 9,956,038</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

City of Minot
515 2nd Ave SW
Minot, ND 58701-3854

SkySkopes, Inc.
Minot Regional Office
21 N Main St.
Minot, ND 58701

We have performed the procedures enumerated below, which were agreed to by the City of Minot (the specified party), solely to assist in evaluating SkySkopes Inc.'s (Company) compliance with Magic Fund compliance requirements, as described in the Development Agreement between SkySkopes Inc. and City of Minot, dated June 13, 2017. Company management is responsible for SkySkopes Inc.'s compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the specified party in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- We performed verification testing as of December 1, 2017 to determine if the Company secured at least \$500,000 in equity funding as specified by the Development Agreement by:
 - Reviewing equity investment documentation in the form of signed agreements and reviewing bank statement activity.

No exceptions were noted as a result of the procedures performed above.

- We performed verification testing of employees from June 13, 2017 to July 1, 2018 to determine if the Company employed three full-time employees as of July 1, 2018 as specified by the Development Agreement by determining if:

- The employee's I-9 was properly completed.
- The employee's W-4 was properly completed.
- Payroll data existed to support hours worked per employee.
- Other employment documentation was maintained such as a signed job offer letter.

No exceptions were noted as a result of the procedures performed above.

- We performed verification testing as of July 1, 2018 to determine if the Company made additional investments in the Minot UAS office totaling at least \$300,000, on or before July 1, 2018 as specified by the Development Agreement by:
 - Reviewing asset purchase documentation in the form of invoices or supporting documentation indicating fair value.

No exceptions were noted as a result of the procedures performed above.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
Minot, North Dakota

August 9, 2018



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

City of Minot
515 2nd Ave SW
Minot, ND 58701-3854

Minot Vocational Adjustment Workshop, Inc. dba Kalix
P.O. Box 1030
Minot, ND 58702-1030

We have performed the procedures enumerated below, which were agreed to by the City of Minot (the specified party), solely to assist in evaluating Minot Vocational Adjustment Workshop, Inc. dba Kalix's compliance with Magic Fund employment conditions, as described in the Development Agreement between Minot Vocational Adjustment Workshop, Inc. dba Kalix and City of Minot, dated June 3, 2014. Management is responsible for Minot Vocational Adjustment Workshop, Inc. dba Kalix's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- From the payroll summary report and review of employee timecards for all employees who coded time to the recycling department from June 1, 2017 to May 31, 2018, we determined if:
 - The employee's I-9 was properly completed.
 - The employee's W-4 was properly completed.
 - Payroll data existed to support hours worked per employee.

No exceptions were noted as a result of the procedures performed above.

- We performed verification testing as of May 25, 2018 (which was the end of the 26th pay period), to determine if Minot Vocational Adjustment Workshop, Inc. dba Kalix met the minimum hour commitment (30,000) from June 1, 2017 to May 31, 2018 as specified by the Development Agreement by:
 - Reviewing timecard detail for employees who coded time to the recycling department to determine the number of hours worked in the recycling department for the year.
 - Tracing timecard detail to hours reported on actual paystubs for ten percent of employees who coded time to recycling for six pay periods.
 - Reviewing hour allocations made by management for those employees who work in multiple departments to determine if the allocations were performed properly.

We calculated total hours worked in the recycling department to be 20,335.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
Minot, North Dakota**

May 31, 2018